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Executive Board of the United Nations Development Programme and of the United Nations Population Fund

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Recommendations of the Board of Auditors 1998-1999

Follow-up to the recommendations of the report of the Board of Auditors (A/55/380/Add.1)

Report of the Executive Director

I. Purpose

1. The present report is submitted in accordance with decision 97/23 of 18 September 1997 and with the tentative work plan for the current session agreed to by the Executive Board in its decision 2000/24. In order to facilitate the work of the board, the United Nations Office for Project Services (UNOPS) will continue to submit reports on the implementation of the recommendations at the first regular session each year.

2. The annex to the present report contains an overview of the implementation of the recommendations of the report of the United Nations Board of Auditors for the biennium ended 31 December 1999 (A/55/380/Add.1). The Executive Director is pleased to report that efforts to address all issues are under way.

II. Executive Board action

3. The Executive Board may wish to:

(a) Take note of the present report (DP/2001/8);

(b) Request the Executive Director to provide the Executive Board, at its first regular session 2002, with an updated overview of the implementation of the recommendations of the Board of Auditors, including follow-up action completed.

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Annex

Overview of the implementation of recommendations

I. Financial issues

UNOPS should prepare a full inventory of its non-expendable equipment, both at headquarters and at its regional offices, with a view to providing an historic cost for its non-expendable equipment in the financial statements for biennium 2000-2001. (paragraph 15)

The United Nations Office for Project Services is in the process of preparing a full inventory of its non-expendable equipment in all its offices in compliance with United Nations Accounting Standards. UNOPS expects to complete the inventory by 30 August 2001. This inventory will continue to be updated to meet appropriate management and reporting requirements.

The Assistant Director, Division for Finance, Budget and Administration, is responsible for the implementation of this recommendation.

UNOPS should conduct regular reviews, led by the UNOPS Finance Section, of all unliquidated obligations and cancel those which cannot be substantiated or justified by budget holders. (paragraph 29)

Financial monitoring is conducted regularly and on a continuing basis by the UNOPS staff concerned. Monthly expenditure reports are provided by the Finance and Budget Section to Portfolio Managers to facilitate the monthly review exercise. Adjustments, including amendments to unliquidated obligations, are made as appropriate.

The Assistant Director, Division for Finance, Budget and Administration, is responsible for the implementation of this recommendation.

UNOPS should review on a monthly basis the returns from imprest account holders and take immediate action to hasten any missing returns. UNOPS should also ensure that it promptly reconciles all the returns from imprest account holders to ensure that it effectively monitors expenditure disbursed in the field. (paragraph 33)

The staff concerned were requested to exercise due diligence in carrying out timely examination and reconciliation of the accounts and in the follow-up of late submissions. Follow-up action was taken with respect to the imprest holders to ensure that expenditure disbursed in the field is effectively monitored.

The Assistant Director, Division for Finance, Budget and Administration, is responsible for the implementation of this recommendation.

II. Management issues

UNOPS should establish the relationship between the priorities, objectives, activities and tasks included in the Business Plan and apply this consistently from year to year, providing a full explanation of any changes it makes. (paragraph 43)

In keeping with the changing focus of the organization and new developments in its operating environment, UNOPS organizational priorities are subject to revision. In the future, any changes will be fully explained in the Business Plan. The standard Business Plan templates for each unit first developed for the period 1999 to 2000 have been reviewed and simplified. Plans to make them web-based for the business planning process for the period 2001 to 2002 are under way. This online facility should ensure timely completion of the templates for the start of the planning period 2001 to 2002, in keeping with the recommendations outlined in the report of the UNOPS cost-allocation task force report of March 1999. While the timing coincides with intensified year-end delivery efforts, the online templates will have data links to reduce the time managers require for this process. In this way, the standardization of unit Business Plans will ensure that the same business planning terminology is applied consistently throughout the organization.

The Assistant Director, Division for Business Development and Strategic Planning, is responsible for the implementation of this recommendation.

UNOPS should seek to ensure that all project documents contain measurable objectives. (paragraph 54)

While the specificity of project objectives is the responsibility of UNOPS clients and funding organizations (and not that of UNOPS), UNOPS intends to continue its review of the Project Acceptance Committee process in order that projects meet the required quality standards for execution, which include ensuring, to the extent possible, that project documents contain measurable objectives.

The Deputy Executive Director of Operations is responsible for the implementation of this recommendation.

UNOPS should seek to ensure that all project documents contain information on the overall project budget broken down by objective and sub-objective, as appropriate. (paragraph 55)

The Project Acceptance Committee continues to analyse the reasonableness of proposed budgets in relation to project objectives and sub-objectives. In addition, UNOPS portfolio managers consistently seek to ensure, through periodic budget revisions, that project budgets accurately reflect project expenditures and projections broken down by objective and sub-objective.

The Deputy Executive Director of Operations is responsible for the implementation of this recommendation.

UNOPS should provide an explanation for any targets that it discontinues or amends in order to provide continuity to the business planning process. (paragraph 40)

The new business planning templates under way will ensure that all units use the same targets, with standard variations according to whether they are service or operations divisions. As has happened in the past, the need to establish new targets may arise as a result of changes in the external operating environment of UNOPS. In the future, any amendments to or discontinuations of financial or non-financial targets will be reported and explained in the UNOPS Business Plan.

The Assistant Director, Division for Business Development and Strategic Planning, is responsible for the implementation of this recommendation.

Where appropriate, UNOPS should disclose performance information in its Business Plan. (paragraph 45)

UNOPS undertakes a bottom-up planning process that is synchronized with the budget preparation. There is a close relationship between short-term objectives and overarching organizational priorities. The former will be reviewed more frequently than the latter to ensure that there is progress towards meeting organizational priorities. UNOPS established its first monitoring mechanism in 1999, which included detailed performance measurements at unit level and timetables for achieving organizational priorities. UNOPS will continue to capture performance results and will report high-level results in its next Business Plan.

The Assistant Director, Division for Business Development and Strategic Planning, is responsible for the implementation of this recommendation.

Before signing project documents or management services agreements, UNOPS should ensure that the donor includes details of the project's proposed monitoring regime. (paragraph 56)

UNOPS regularly advises clients to define the details of the monitoring regime to be applied to an individual project prior to signature of the respective project document. The monitoring regime is normally contained in the reporting section of the project document, which should also indicate any deviation from the standard set of reports and review meetings. The level of detail and accuracy provided in this reporting section is a key instrument for the client to measure the achievement of project objectives.

The Deputy Executive Director of Operations is responsible for the implementation of this recommendation.

UNOPS should endeavour to ensure that each project document and management services agreement outlines the risks to the project's delivery. (paragraph 57)

UNOPS concurs that the risks relating to the effective delivery of a project should be carefully considered by the funding agency during the formulation of the project. In addition, UNOPS will continue to assess implementation-related risks that

arise from policy, legal and finance issues during the Project Acceptance Committee review process.

The Deputy Executive Director of Operations is responsible for the implementation of this recommendation.

UNOPS should endeavour to strengthen the range of performance indicators included in project documents to allow progress against objectives and sub-objectives to be quantified and reviewed as fully as possible. (paragraph 62)

Substantive review of project implementation progress is currently conducted through regular reporting, monitoring missions and the project performance evaluation report and tripartite review process. UNOPS believes that the strengthening of this review process is the appropriate way to develop the monitoring of the progress of project implementation.

The Deputy Executive Director of Operations is responsible for the implementation of this recommendation.

UNOPS should work with funding organizations to undertake periodic project performance evaluation reports and tripartite reviews for all projects. (paragraph 65)

UNOPS continues to stress the need for regular project performance evaluation reports and tripartite reviews to document the progress being made by projects. Based on experience to date, UNOPS notes that irrespective of how persistently UNOPS portfolio managers pursue this matter, the result will not be positive unless the concerned funding agencies also share the need for such regular review. UNOPS has advised its operations divisions to participate consistently in project performance evaluation report and tripartite review report exercises for major projects for which UNOPS is the executing agency.

The Deputy Executive Director of Operations is responsible for the implementation of this recommendation.

In future UNOPS should seek to avoid the proportional remuneration of lead contractors as a contract mechanism and seek to include penalty clauses for late delivery. (paragraph 85)

Best practices currently applied by UNOPS as a contract mechanism and include penalty clauses for late delivery. These principles are promoted in procurement training for UNOPS staff. They are also incorporated in standard contract and purchase documents. The appropriate application of these principles and any exceptions to them are under the purview of the Chief Procurement Officer.

The case that has given rise to the Auditors' recommendation is the relocation of UNOPS headquarters. In the tight New York construction market of 1999, and following review of the advice of local real estate and construction professionals, it was determined by the Chief Procurement Officer (on the basis of review by the Procurement Review Advisory Committee), that it was not possible to apply standard UNOPS best practices in this regard.

As this recommendation derives from an exceptional case and one having no impact on the fully implemented standard procurement practices of the Office, the recommendation requires no further implementation and, accordingly, there is no officer responsible for such implementation.